



DEPARTMENT OF STATE

Washington, D.C. 20520

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August 2, 1973

Copies to:

MEMORANDUM FOR MR. HENRY A. KISSINGER

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THE WHITE HOUSE

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Attention

MRS

SUBJECT: Libyans Set New Deadline in Keep this study
Petroleum Negotiations

The participation negotiations between Libya and the oil companies operating there, suspended during the recent flurry of Egyptian-Libyan unity events, resumed unexpectedly on August 1 with a new Libyan deadline and ultimatum. The Libyans have continued to stand on their original, confiscatory demands for 51% ownership at net book value compensation and buy-back of the oil at a market price (which the Libyans have said will be \$6 per barrel). Prime Minister Jalud gave the two companies immediately involved (Oasis* and Occidental) until August 15 to accept or face threatened total or partial (51%) nationalization. The Libyans have also threatened to cut back oil production immediately from the Oasis concession drastically (from over 800 thousand barrels per day to 267), although it is unclear for the moment whether this will be carried out.

Although previous Libyan deadlines have slipped, the oil companies appear to believe that this one is seriously intended. Recent Libyan frustrations over the Egyptian union increase the probability for a dramatic move of this nature by the LARG at this time. This is particularly so in light of the Libyans' recent successes in selling nationalized oil from the Bunker Hunt/British Petroleum concession.

We believe that the USG must play an active role in attempting to avoid this impending nationalization.

*The Oasis group is composed of Continental, Amerada, Hess, Marathon, and Shell

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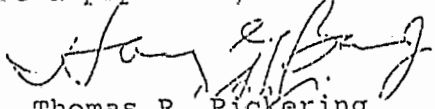
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or if that proves impossible making it difficult for the Libyans to sustain their actions. We are studying the options and will have a paper available in the next few days.


Thomas R. Pickering
Executive Secretary

cc: Treasury - Mr. Simon
White House - Governor Love

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